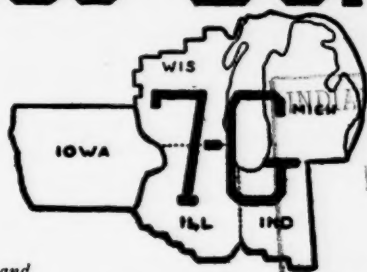


# BUSINESS CONDITIONS

## SEVENTH FEDERAL



## RESERVE DISTRICT

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### General Summary

INDUSTRIAL activity in the Seventh Federal Reserve district has expanded more rapidly since the first of the year than is normally expected at this season. This trend has been especially marked in the automobile, iron and steel, and allied industries, such as steel and malleable castings, where January output rose sharply over December and considerably exceeded that of the month last year. The furniture industry likewise recorded substantial improvement over a year ago. Building construction furnished a major exception to the general trend, January activity being only about half that of the month last year. The movement of building materials in January was affected by the severe weather prevailing in many sections of the district, although the wholesale lumber business showed improvement. Manufacturing employment and payrolls increased substantially over the closing month of 1934, which increases are contrary to trend for the period.

The decline in supplies of foodstuffs has become more noticeable since the beginning of the year, reductions on February 1 from a month previous being exceptionally heavy. Production in reporting food industries—meat packing, butter, and cheese—was affected in January by the smaller holdings of live stock on farms this year than last. Sales of meat-packing products and of Wisconsin cheese expanded over December, but butter distribution fell off more than seasonally; prices of these commodities rose during the month. The movement of grain was unusually light in January.

Counter-to-seasonal expansion was recorded during January in the wholesale grocery, dry goods, and drug trades, while a seasonal decline took place in the whole-

sale distribution of hardware and electrical supplies; with the exception of drugs, however, the dollar volume of sales continued heavier than a year ago. Seasonal recessions were recorded between December and January in all reporting phases of retail trade, which include department stores, shoes, and furniture and house furnishings, but moderate gains were shown over the corresponding month of 1934. Gains over a year ago in two major groups of chain store trade—groceries and drugs—as well as those in several other lines, were to a great extent counteracted by a decline in five-and-ten-cent store sales, so that aggregate sales were only 1½ per cent in excess of last January.

There was a lessened amount of reserve bank credit extended to the district during the period January 16 to February 13. Total loans and investments of reporting member banks in the district were larger on the latter date, due principally to increased holdings of U. S. Government direct obligations. Commercial paper sales by dealers and financing by means of bankers' acceptances were below average in January, although the former gained over December.

### Credit Conditions and Money Rates

Inter-district commercial and financial transactions from January 16 to February 13 showed a net outflow of funds from the Seventh Federal Reserve district amounting to over 40 million dollars and, together with a lessened amount of reserve bank credit extended locally, effected a decline in the supply of banking reserves in this district. Demand for currency during the period increased more than 12 millions, and special and "all other" deposits rose 3½ millions, while member bank reserve balances declined 60 million dollars.

### FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	FEB. 13 1935	JAN. 16 1935	FEB. 14 1934
Total Bills and Securities.....	\$422.9	\$-16.0	\$-27.1
Bills Discounted.....	0.1	-8.9	-2.0
Bills Bought.....	0.7	0	-9.9
U. S. Government Securities.....	420.8	-7.5	-16.5
Total Reserves.....	1,072.6	-31.1	+154.1
Total Deposits.....	680.0	-59.4	+137.7
Federal Reserve Notes in Circulation.....	773.3	+5.1	+11.6
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined..	73.8	+0.6*	+3.4*

\*Number of Points.

### Changes between January 16 and February 13 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District

(Amounts in thousands of dollars)

Reserve bank credit extended (exclusive of amounts to other districts).....	-14,276
Commercial operations through inter-district settlements.....	-40,742
Treasury and National bank currency.....	-586
Total supply.....	-55,604
Demand for currency.....	+12,319
Member bank reserve balances.....	-60,487
Treasury cash and deposits at Federal Reserve Bank of Chicago..	-11,743
Special and "all other" deposits.....	+3,565
Other Federal Reserve accounts.....	+742
Total demand.....	-55,604

## MEMBER BANK CREDIT

Total loans and investments of licensed reporting member banks in the Seventh district increased more than 50 million dollars during the period January 16 to February 13, representing, as shown by the accompanying table, increased holdings of U. S. Government direct obligations, and other securities, as all other items comprising the aggregate recorded declines. Increases in the period of 10 and 5 million dollars, respectively, were shown by net demand and time deposits. On February 13 of this year, total loans and investments of licensed reporting member banks were 321 million dollars in excess of the aggregate as reported for February 14, 1934, reflecting for the most part increased holdings of U. S. Government direct obligations. Net demand deposits in the year increased nearly 380 million dollars, and time deposits approximately 80 millions.

Banks located in the down-town area of Chicago reported a range of 1½ to 5 per cent as the prevailing rate on customers' commercial loans during the week ended February 15, unchanged from the corresponding week in January. Detroit banks reported 3½ to 6 per cent for this item. The average rate earned by down-town Chicago banks during the calendar month of January was 2.95 per cent, as compared with 2.96 per cent in the preceding month, and as against 3.42 in January 1934.

Although commercial paper sales in the Middle West expanded 34½ per cent in January over the final month of 1934 and were greater than for any month since last August, they totaled 54 per cent below the 1925-34 average for the month. This condition continued to reflect a limited volume of industrial borrowing. Demand from both city and country banks showed some improvement. Selling rates continued at the low level prevailing in recent months, ranging from ½ to ¾ per cent for low to 1 and 1½ per cent for high; most paper, however, moved at ¾ per cent. Outstandings showed a gain of 3½ per cent over December and were 62½ per cent above a year ago. In the comparison with the 1925-34 average for January 31, commercial paper outstanding declined 53 per cent. During the first two weeks in February demand showed considerable improvement, and sales amounted to more than twice the volume of the corresponding period in the preceding month. Rates in the first half of February remained unchanged, with the bulk of sales moving at ¾ per cent.

## CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	FEB. 13 1935	JAN. 16 1935	FEB. 14, 1934
Total loans and investments.....	\$2,007	\$+51	\$+321
Total loans on securities.....	272	-8	-63
To brokers and dealers.....			
In New York.....	28	0	+10
Outside New York.....	26	-6	-7
To others.....	218	-2	-66
Acceptances and commercial paper bought..	61	-10	....
Loans on real estate.....	33	-1	....
Other loans.....	287	-2	-116*
U. S. Government direct obligations.....	999	+74	+375
Obligations fully guaranteed by U. S.			
Government.....	89	-0	....
Other securities.....	266	+7	-56**
Net demand deposits.....	1,760	+10	+379
Time deposits.....	525	+5	+79
Borrowings from Federal Reserve Bank.....	0	-9	0

\*Represents total acceptances, commercial paper, loans on real estate and other loans. Segregated figures not available.

\*\*Represents obligations fully guaranteed by U. S. Government and other securities. Segregated figures not available.

The supply of acceptances in the Chicago bill market increased 20 per cent during the period January 17 to February 13 as compared with December 13 to January 16, but consisted entirely of dealer receipts from Eastern cities, purchases from local banks being negligible in volume. Bills moved rapidly out of dealers' hands into investment channels, as demand from local and out-of-town banks increased over the preceding period. Sales to Eastern markets were light, comprising only that volume of bills which had been purchased from local acceptors. Total distribution equaled supply, and dealers, therefore, accumulated no acceptances in their own portfolios. Rates remained unchanged during the period, ranging from ⅛ to 3/16 per cent.

Accepting banks in the Seventh Federal Reserve district reported limited activity in bill transactions during January. New financing remained at the relatively low level of the preceding month and was 51 per cent below the 1925-34 January average. The discounting of these bills by the accepting institutions increased somewhat and was in sufficient volume to absorb approximately 90 per cent of the current offerings. Purchases of other banks' acceptances, however, declined 33 per cent from December and aggregated less than for any month since last August. Sales also declined and were at an extremely low level. Total holdings at the end of January, though greatly in excess of the 10-year average for the date, dropped 12 per cent from December 31 and were 19½ per cent below a year ago. New financing expanded considerably during the first half of February, and the volume almost doubled that in the corresponding weeks of January; this expansion was in part due to increased borrowing by the iron and steel and grain industries.

## TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN JANUARY 1935 FROM DECEMBER 1934	JANUARY 1934
Total value of bills accepted.....	+0.2	-45.5
Purchases (including own bills discounted) ..	-14.8	-47.5
Sales.....	-70.0	-99.7
Holdings*.....	-12.1	-19.7
Liability for outstandings*.....	-6.1	-45.9

\*At end of month.

## SECURITY MARKETS

No outstanding trends were evident in the Chicago bond market during the first month of 1935. Demand continued to favor the high grade corporate and municipal issues. Confinement of interest to the high grade bonds reflected the type of investor, institutions being the heaviest buyers. New offerings in January remained in small volume, although they were in excess of the corresponding month in 1934. Prices on the Chicago Stock Exchange showed only small fluctuations during January and the first half of February. The average price for twenty leading stocks\* amounted to \$30.75 on February 18, which compares with \$29.56 on the corresponding date in January.

\*Chicago Journal of Commerce.

## VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	JAN. 1935	PER CENT OF INCREASE OR DECREASE FROM DEC. 1934	JAN. 1934
Chicago.....	\$2,436	-1.5	+26.4
Detroit, Milwaukee, and Indianapolis.....	1,046	+1.9	+26.3
Total four larger cities.....	\$3,482	-0.5	+26.4
35 smaller centers.....	544	-3.0	+22.2
Total 39 centers.....	\$4,026	-0.8	+25.8

## Agricultural Products

The effect of the Agricultural Adjustment Administration hog reduction and drought relief measures is reflected in farm holdings of live stock both in the Seventh district and in the United States, which showed a sharp reduction on January 1, 1935, from the beginning of 1934. The extent of these declines is recorded in the accompanying table.

### LIVE STOCK ON FARMS—JANUARY 1

Estimates of the United States Bureau of Agricultural Economics  
(In thousands)

	FIVE STATES INCLUDING SEVENTH DISTRICT		UNITED STATES	
	1935	1934	1935	1934
Number				
Swine, including Pigs	13,507	22,119	37,007	57,177
Milk Cows and Heifers*	6,535	6,699	25,100	26,185
Other Cattle and Calves	6,016	6,530	35,567	42,105
Lambs and Sheep	4,651	4,415	49,766	52,212
Horses and Colts	2,914	2,936	11,827	11,963
Mules and Mule Colts	280	295	4,795	4,925
Total Farm Value				
Swine, including Pigs	\$101,586	\$ 97,261	\$237,258	\$236,862
Milk Cows and Heifers*	209,304	186,519	762,543	709,909
Other Cattle and Calves	99,746	95,353	515,784	537,582
Lambs and Sheep	22,419	17,869	214,613	197,740
Horses and Colts	269,334	236,461	901,038	793,155
Mules and Mule Colts	27,338	24,330	470,900	401,596

\*Two years old and over.

### GRAIN MARKETING

January receipts of wheat at terminal markets in the United States aggregated less than for any other month in this bank's records (since the beginning of 1921), being 35½ per cent smaller than in December, 42½ per cent below a year ago, and 74 per cent under the 1925-34 average for the period. On the other hand, shipments expanded 8 per cent over the closing month of 1934, and were only 6 per cent smaller than last January and 33½ per cent below this ten-year average. Although exports were nil, visible supplies of this grain in the United States showed a further reduction during the month and were smaller on February 16 than for any previous reporting date since the middle of 1928. Prices averaged slightly lower during January than in December, but had begun to evidence a firmer tendency by the middle of February.

Corn receipts also decreased more than seasonally in January from a month earlier; they were not only 56½ per cent under a year ago and 74 per cent less than the 1925-34 seasonal average, but below those of any month since June 1932. Furthermore, shipments of this grain showed a non-seasonal recession from the preceding month but were slightly heavier than last year. Visible supplies of corn in the United States totaled smaller on February 16 than for any reporting date since the beginning of 1933, and were in less than half the volume of a year ago. Quotations for this grain also weakened during January.

The quantity of oats arriving at terminal markets likewise declined sharply in January to a level below any other month in this bank's records, and shipments were the smallest since November 1932. Visible supplies of oats, furthermore, were not quite half as large as on the corresponding date of 1934. Prices eased in January from December.

### MOVEMENT OF LIVE STOCK

Receipts of cattle, calves, and lambs increased during January more than seasonally at public stock yards in the United States and, with the exception of lambs, were much larger than either a year ago or in the 1925-34

average for the month. On the other hand, the marketing of hogs declined sharply in all three comparisons and was less than for any month since September last year. The movement to inspected slaughter (inclusive of animals that did not pass through public stock yards) diverged from the trend of market receipts in one major instance: the supply of cattle fell off sharply from December to a level below that of any month since last June.

Reshipments to feed lots expanded over December, in contrast to the usual January decline, and those of both cattle and lambs were not only considerably in excess of last year but above the 1930-34 average for the month.

### MEAT PACKING

The commercial production of packing-house commodities at slaughtering establishments in the United States decreased counter-seasonally by 13 per cent in January from December, and was not only 34 per cent smaller than a year ago but 28½ per cent below the 1925-34 average for the month. Moreover, total production—inclusive of the Government tonnage—recorded respective recessions of 16½, 29, and 23½ per cent in these comparisons. Payrolls at the close of January indicated a decline from December of 11 per cent in number of employees, 3½ per cent in hours worked, and of 7 per cent in wage payments. The sales tonnage expanded 6½ per cent in January over a month earlier, but was 23 per cent less than in the month last year and 15 per cent below the 1925-34 seasonal average. Prices continued to advance, and the total value of sales billed to domestic and foreign customers was in excess of any previous month since January 1931, being 9½ per cent larger than in December, 34 per cent above a year ago, and within 12 per cent of the 1925-34 January average. Despite consumer resistance to the rise in prices, inventories of these commodities in the United States declined markedly on February 1 from the beginning of January to a level 23,451,000 pounds under a year ago and only 110,050,000 pounds above the 1930-34 average for the date.

Shipments for export gained only slightly in January over the exceptionally small volume which obtained in December, and continued to comprise principally lard and meats forwarded to the United Kingdom. Demand for United States lard and hams remained fair in that country and continued practically nil on the Continent. A considerable improvement in trade with Cuba was reported. Prices of American lard in the United Kingdom advanced somewhat because of decreased production of the commodity in the United States, but were still below Chicago parity. Owing to a continuance of limited quotas, prices of most United States meats in that country re-

### LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District,				
January 1935	261	637	370	115
Federally Inspected Slaughter,				
United States				
January 1935	977	3,047	1,345	512
December 1934	1,188	4,196	1,314	494
January 1934	831	5,391	1,407	471

### AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	FEB. 16 1935	JAN. 1935	Dec. 1934	JAN. 1934
Native Beef Steers (average)	\$10.55	\$9.15	\$7.40	\$5.40
Fat Cows and Heifers	7.20	6.35	4.70	4.30
Calves	6.75	7.15	5.25	5.65
Hogs (bulk of sales)	8.25	7.70	6.00	3.45
Lambs	8.35	8.65	7.35	8.20



mained above Chicago parity, while there was some easing in quotations for bacon.

An item of particular significance to this industry was the beginning of a movement during the month of edible tallow imports from South America, New Zealand, and Australia into the United States for processing into lard substitutes.

#### DAIRY PRODUCTS

Creamery butter manufacturing operations in the Seventh Federal Reserve district showed a counter-to-seasonal decline of  $3\frac{1}{2}$  per cent in January from December, and were not only 7 per cent under a year ago but 5 per cent below the 1925-34 average for the month. The sales tonnage fell off 8 per cent from a month earlier—slightly more than usual—to a level 4 per cent under last year and one per cent less than the average. Likewise, United States production of the commodity decreased in January, rather than recording a seasonal increase, and was 8 per cent smaller than in the same month of 1934. Demand for the reduced volume of creamery butter offered was sufficiently strong to advance prices 10 per cent during January and to cause a more than seasonal reduction in inventories on February 1 to a level 60 per cent below the 1930-34 average for that date. Of considerable significance from the consumption standpoint in view of decreasing supplies of the commodity in the United States is the fact that butter imports into the United States from New Zealand and other foreign producing countries are increasing.

The production of American cheese in Wisconsin declined 2 per cent in the five weeks ended February 2 from the preceding period, was 4 per cent smaller than in the corresponding weeks of 1934, and  $19\frac{1}{2}$  per cent below the 1930-34 average for the opening month of the year. On the other hand, the sales tonnage not only rose 60 per cent over December to a level 14 per cent above last January and 21 per cent higher than the 1930-34 average for the month, but was nearly double the volume of current manufacture. Despite a 12 per cent rise in prices in January over December, total inventories of cheese in the United States fell off nearly 21,000,000 pounds on February 1 from the beginning of 1935, while the excess over the 1930-34 average for the date was reduced to 9,085,000 pounds.

#### Industrial Employment Conditions

Contrary to the usual movement at this season of the year, increases of 4 per cent in employment and 6 per cent in payrolls were reported by Seventh district industries for the December 15 to January 15 period. While a similar sharply upward movement was also recorded for this period in 1934, the trend in the average for nine years previous, 1925-33, was downward by  $1\frac{1}{2}$  per cent in employment and  $2\frac{1}{2}$  per cent in payrolls. The January volume of employment exceeded that of a year ago by 14 per cent, while payroll amounts totaled larger by 26 per cent. Despite these increases over a year ago, the current levels are still somewhat below those held by employment through April, May, and June of last year, and by payrolls during May and April.

The gains from December to January this year were contributed almost entirely by the manufacturing industries, as non-manufacturing groups showed the usual seasonal curtailments. Within the latter classification, merchandising industries reduced employment 13 per cent and payrolls 9 per cent, or by practically the same

percentages as those recorded in the expansion during the November to December period. The construction industries also registered marked curtailments which, however, were in line with the trend for the two months preceding. Public utilities, on the other hand, maintained a stationary volume of employment and increased payrolls slightly. Coal mines showed a slight gain in the number of miners employed, but this was accompanied by a moderate decline in wage payments. For the non-manufacturing classification as a whole the loss in employment totaled  $7\frac{1}{2}$  per cent and in payrolls 3 per cent.

Among the manufacturing industry groups, vehicles accounted for the greater part of the expansion with increases of over 20 per cent in both workers and wage payments. The rubber products group, comprising mainly tire manufacturing, followed the trend in the vehicles group with gains of 15 and  $6\frac{1}{2}$  per cent, respectively, in men employed and wages. Exclusive of the vehicles group, metals and metal products showed continued increases amounting to  $3\frac{1}{2}$  per cent in employment and 5 per cent in wage payments. The textile, chemicals, and paper and printing industries also registered gains over the preceding month, while losses were recorded for the remaining manufacturing groups.

#### Manufacturing

##### AUTOMOBILE PRODUCTION AND DISTRIBUTION

Schedules of United States automobile manufacturers again expanded markedly in January. Production of passenger automobiles for the month numbered 229,199, which is the heaviest output for January of any year since 1930 and more than double that of the month last year when an exceptionally sharp expansion was also recorded. The gain over December production amounted to 79 per cent, as against one of 45 per cent in the 1925-34 January average. Trucks produced in January numbered 63,566, or 15 per cent above the heavy volume of December, 47 per cent in excess of the number produced a year ago, and above any previous January on record.

As indicated in the table, distribution of new automobiles in the Middle West showed heavy gains both at wholesale and retail during January over a month previous as well as a year ago. Stocks of new cars on hand also increased substantially in these comparisons.

##### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF JAN. 15, 1935			CHANGE FROM DEC. 15, 1934	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS ('000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products <sup>1</sup> .....	1,169	214,994	4,783	+3.5	+5.1
Vehicles.....	201	241,295	6,203	+21.2	+22.9
Textiles and Products.....	280	45,928	734	+2.0	+8.0
Food and Products.....	537	81,259	1,742	-5.8	-8.4
Stone, Clay, and Glass.....	143	6,752	126	-6.1	-4.7
Wood Products.....	336	26,450	396	-1.2	-5.3
Chemical Products.....	152	18,497	430	+4.0	+4.4
Leather Products.....	96	18,696	347	-1.0	-2.7
Rubber Products <sup>2</sup> .....	7	7,448	167	+15.1	+6.6
Paper and Printing.....	497	61,213	1,525	+1.8	+2.9
Total Mfg., 10 Groups.....	3,418	720,532	16,453	+7.0	+8.7
Merchandising <sup>3</sup> .....	1,720	88,942	1,845	-13.2	-9.2
Public Utilities.....	78	81,245	2,484	+0.0	+3.3
Coal Mining.....	15	4,257	91	+0.9	-5.3
Construction.....	290	6,745	128	-16.1	-11.3
Total Non-Mfg., 4 Groups.....	2,103	181,189	4,549	-7.5	-2.8
Total, 14 Groups.....	5,521	901,721	21,002	+3.7	+6.0

<sup>1</sup>Other than Vehicles. <sup>2</sup>Michigan and Wisconsin. <sup>3</sup>Illinois and Wisconsin

The large increase in sales over those of last January is partly attributable to the fact that sales expansion was retarded last year by delays experienced in receiving new models. Used car sales in January failed to follow closely the trend of new cars, increasing by only 6 per cent over the preceding month and totaling 12 per cent below those of January 1934. Deferred payment sales comprised 47 per cent of the total retail sales in January of dealers reporting the item, as against a ratio of 50 per cent in December and of 51 per cent last January.

#### IRON AND STEEL PRODUCTS

Chicago district steel mills experienced a further sharp improvement in business during January over the preceding month, and the volume of orders was substantially heavier than in the same month of 1934. The automobile industry again furnished the major portion of the demand, but requirements from more diversified sources also increased. Steel ingot output in the district, which had reached 57 per cent of capacity by the middle of January, continued to expand until the end of the month when it amounted to 67 per cent of capacity; no change was recorded in the following week, and during the second week of February it dropped slightly to 65 per cent, although new business continued good. Pig iron shipments increased in January, and the daily average production for that month in the Illinois and Indiana district exceeded that for January in any of the three preceding years. Scrap iron and steel prices have continued to show unsteadiness in recent weeks.

Orders for steel castings, as reported by Seventh district foundries for January, amounted to more than twice the December tonnage, shipments were 60 per cent heavier, and production showed an expansion of 45 per cent. Increases over a year ago for these items were also substantial but somewhat less than in the monthly comparison. Tonnage figures reported for malleable castings increased from December to January by 30 per cent in volume of orders booked, 41 per cent in shipments, and 32 per cent in production, while in comparison with January last year these same items showed respective gains of 16, 58, and 52 per cent.

Shipments of stoves and furnaces recorded a greater than seasonal decline from December to January, the recession amounting to 46 per cent, while orders accepted increased 17 per cent, thus registering a partial recovery from the sharp drop of the preceding month. Molding-room operations declined 15 per cent in the period. Comparisons of all items with year-ago figures continued to show a favorable trend, the increases amounting to 29 per cent in shipments, 50 per cent in orders, and 78 per

cent in operations. Inventories decreased 8 per cent during the month but totaled 17 per cent larger than a year earlier.

#### FURNITURE

The usual January expansion in orders booked by furniture manufacturers took place in the current year, bringing the volume of new orders to a level higher than in any month since July 1933—according to data of Seventh district firms reporting to this bank. The gain over December orders was smaller than seasonal—only 61 per cent as compared with 105 per cent in the eight-year average—but the January volume was nevertheless 40 per cent greater than in the corresponding month a year previous. Shipments also were 40 per cent higher in the yearly comparison, but declined 9 per cent from a month earlier, in comparison with a 14 per cent recession in the seasonal average. The rise in new orders and decline in shipments effected an increase in unfilled orders, so that at the close of January the total outstanding was 76 per cent greater than at the end of the preceding month, amounting to 80 per cent of current orders—a gain of 6 points over the December 31 ratio. The rate of operations averaged 59 per cent of capacity, 7 points higher than in December and 15 points above the ratio of a year earlier.

#### SHOE MANUFACTURING, TANNING, AND HIDES

An increased volume of shoe production in Seventh district factories was indicated for January by preliminary reports, the gain being more pronounced than in the normal December to January trend. Final production figures for December totaled 2 per cent above the November volume, 47 per cent larger than in December 1933, and 11 per cent in excess of average output at that season. In the tanning industry, the production and sales of leather advanced substantially from December to January, and prices showed a firming tendency. Sales of packer green hides and skins in the Chicago market were in good volume throughout the month, and prices were steady until the latter part of January when quotations on most items declined from one-half to one cent.

#### Building Materials, Construction Work

The movement of building materials from retail yards in the Seventh district continued restricted during January, with construction projects closed down even more generally than is usual at this time of the year, owing to heavy snow-fall in many sections of the district, accompanied by prolonged low temperatures. In the distribution of cement the severe weather effected marked de-

MIDWEST DISTRIBUTION OF AUTOMOBILES  
Changes in January 1935 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	DEC. 1934	JAN. 1935	
<b>New Cars</b>			
Wholesale—			
Number Sold.....	+86.0	+193.7	22
Value.....	+89.7	+181.1	22
Retail—			
Number Sold.....	+89.3	+59.8	51
Value.....	+67.0	+62.8	51
On Hand January 31—			
Number.....	+68.3	+45.9	51
Value.....	+75.1	+49.4	51
<b>Used Cars</b>			
Number Sold.....	+6.3	-12.4	51
Salable on Hand—			
Number.....	+11.3	+33.0	51
Value.....	+2.0	+48.1	51

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	JANUARY 1935: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	DEC. 1934	JAN. 1935	
<b>Wholesale Lumber:</b>	+30.7	+20.9	11
Sales in Dollars.....	+40.2	+13.7	9
Sales in Board Feet.....	+4.6	-13.5	11
Accounts Outstanding <sup>1</sup> .....			
<b>Retail Building Materials:</b>	+1.0	+17.4	155
Total Sales in Dollars.....	-18.5	-23.5	39
Lumber Sales in Dollars.....	-13.6	-31.7	74
Lumber Sales in Board Feet.....	-11.3	-14.8	147
Accounts Outstanding <sup>1</sup> .....			
Ratio of Accounts Outstanding <sup>1</sup> to Dollar Sales during Month			
	JAN. 1935	DEC. 1934	JAN. 1935
Wholesale Trade.....	163.4	204.1	232.7
Retail Trade.....	271.0	308.9	355.7

<sup>1</sup>End of Month.

clines both from a month and a year previous; also cited as a contributing factor in the decline from January 1934 was the discontinuance of C.W.A. work, which consumed some important tonnage a year ago. Shipments of brick and tile, however, were about equal to those in the corresponding month last year, and slightly greater than in the preceding month.

Activity at wholesale lumber establishments, moreover, was greatly accelerated in January: board-foot sales increased in considerably more than seasonal proportion, and the value thereof was substantially heavier, in contrast to a net decline in value in the five-year average for the period. Total sales in dollars attained a level 21 per cent higher than in the corresponding month a year earlier, and board-foot volume recorded a smaller though moderate gain. As shown in the table, total dollar sales of all materials at retail yards recorded a small net gain over December and a considerable increase in the yearly comparison, reflecting in some degree a continued heavy demand for fuel in the current month, in contrast to light requirements for this item a year ago. Lumber sales at retail, measured in board feet and in dollars, declined in both the monthly and yearly comparisons—in the former, to a greater than seasonal extent. Collections show marked improvement over a year previous, and a more moderate one as compared with December, with those at wholesale somewhat higher than at retail.

#### BUILDING CONSTRUCTION

January activity in Seventh district building continued low, declining somewhat more than seasonally from a month previous. Total contracts awarded receded to a level under that of any month since June 1933 and, as in December, amounted to only half those in the corresponding month a year previous when, however, the volume was at an unusually high level as compared with recent years. Residential awards, which amounted to 13 per cent of the total, gained substantially over the low volumes of a month and a year earlier.

#### BUILDING CONTRACTS AWARDED\* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
January 1935.....	\$13,982,830	\$1,760,051
Change from December 1934.....	-20.8%	+33.4%
Change from January 1934.....	-49.5%	+34.7%

\*Data furnished by F. W. Dodge Corporation.

Permits issued in 100 cities of the district for all types of construction followed the trend of contract awards in estimated cost, declining 23 per cent from December, but as compared with a year ago, they were only 25 per cent lower. Indianapolis and Des Moines, however, showed large gains in both the monthly and yearly comparisons, and Chicago increased heavily in the former. The number of permits—1,644—was one per cent under a month previous, but 21 per cent higher than in January last year.

#### WHOLESALE TRADE IN JANUARY 1935

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTAND.	COLLEC- TIONS	
Groceries.....	+11.4	+19.6	-0.8	+17.6	88.0
Hardware.....	+6.7	+4.4	-10.7	+16.7	233.8
Dry Goods.....	+11.8	+4.0	+3.4	+6.0	204.7
Drugs.....	-1.8	+1.8	-8.9	-2.0	167.1
Electrical Supplies.....	+16.3	+1.9	-5.3	+18.6	170.4

## Merchandising

As was the case last January, counter-to-seasonal expansion took place in the month this year in the wholesale grocery, dry goods, and drug trades. Grocery sales increased 2 per cent over the preceding month, dry goods sales 20 per cent, and the drug trade one per cent, as against recessions in the 1925-34 average for January of 6, 4, and one per cent, respectively. The wholesale hardware trade fell off 22 per cent in the comparison with a month previous and the wholesale electrical supply trade 27 per cent, both of which declines are about seasonal in amount. For the second successive month, sales of drugs failed to equal the corresponding volume of a year ago, although the difference was less than 2 per cent; gains shown over last January in the hardware and dry goods trades were smaller than in the yearly comparison for several months past; while increases in groceries and electrical supplies were somewhat greater than in the year-ago comparison for December. For reporting wholesale hardware and electrical supply firms, the ratios of accounts outstanding at the end of January to net sales during the month rose noticeably over the corresponding ratio for December, but for other groups this ratio declined further.

Seventh district department store trade continued, during the first month of 1935, to exceed the volume of the corresponding month a year previous, although the gain of 9 per cent recorded over last January was considerably smaller than in the yearly comparison for either of the two closing months of 1934. It will be noted in the table that Milwaukee trade showed practically no increase over January 1934; however, at that time, sales of Milwaukee stores exceeded those of January 1933 by a greater percentage than did trade in the other large cities of the district. The 52 per cent decline shown in district sales for the current period from December 1934 was average for January; recessions ranged from 50 per cent for Indianapolis sales to 56 per cent for the total of stores in smaller centers; Milwaukee trade fell off 53 per cent, Chicago 52 per cent, and Detroit trade 51 per cent. With Chicago stores carrying stocks at the end of January that were 2 per cent heavier in aggregate value than a month previous, the total for the district as a whole was only 3½ per cent less in the comparison, which recession is somewhat smaller than usual for the first month of the year; stocks totaled slightly less in dollar volume than a year ago.

Although the dollar volume of shoes sold during January by reporting dealers and department stores totaled 7 per cent heavier than in the month last year, the gain is wholly attributable to sales by department stores, as the reports of practically all dealers showed declines in the comparison. Aggregate sales were 56 per cent smaller

#### DEPARTMENT STORE TRADE IN JANUARY 1935

LOCALITY	PER CENT CHANGE JANUARY 1935 FROM JANUARY 1934		RATIO OF JANUARY COLLECTIONS TO ACCOUNTS OUTSTANDING END OF PRECEDING MONTH	
	NET SALES	STOCKS END OF MONTH	1935	1934
Chicago.....	+6.6	+1.1	32.1	30.3
Detroit.....	+17.9	+1.4	50.9	40.5
Indianapolis.....	+13.8	-2.6	48.0	45.2
Milwaukee.....	+0.2	-9.2	43.0	36.4
Other Cities.....	+5.3	+4.3	35.6	33.0
7th District.....	+8.8	-0.6	43.2	37.2



in January than a month previous, the decline comparing with one of 51 per cent in the 1926-34 average for January.

Sales of furniture and house furnishings aggregated 12 per cent larger this January than a year ago, according to the reports of dealers and department stores; a recession of 35 per cent in sales from the December volume was about seasonal in extent.

Thirteen chains reporting to this bank had sales in January totaling little more than 1½ per cent in excess of those a year ago. Among the groups to record gains over last January were drug, grocery, cigar, and shoe chains, while five-and-ten-cent stores, men's clothing, and musical instrument chains reported a smaller dollar volume of sales. All groups except shoes shared in the decline of 45 per cent from a month previous.

## MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Jan. 1935	Dec. 1934	Nov. 1934	Oct. 1934	Sept. 1934	Aug. 1934	Jan. 1934	Dec. 1933	Nov. 1933	Oct. 1933	Sept. 1933	Aug. 1933
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	47	80	73	71	79	77	75	60	54	56	67	63	58
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	31	20	24	27	29	42	21	18	21	23	19	21
In Tons.....	12	30	19	25	26	31	46	21	20	22	25	19	21
Malleable—In Dollars.....	21	37	28	29	26	24	27	23	23	23	25	24	24
In Tons.....	21	59	42	43	38	34	40	38	36	36	39	38	41
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	10	56	101	144	192	140	85	45	78	109	128	108	91
<b>Furniture—</b>													
Orders (in dollars).....	14	48	25	34	40	40	38	35	18	21	24	42	47
Shipments (in dollars).....	14	29	31	36	42	39	37	21	23	28	38	47	43
<b>Flour—</b>													
Production (in bbls.).....	19	103	93	101	117	106	102	117	100	106	104	90	89
<b>Output of Butter by Creameries—</b>													
Production.....	59	85	88	98	125	133	152	92	94	93	109	115	143
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	28	72	70	73	77	76	78	64	63	64	66	70	68
Hardware.....	11	41	52	57	65	58	57	38	46	46	51	50	49
Dry Goods.....	9	42	35	42	43	50	48	37	28	33	38	41	34
Drugs.....	13	65	64	66	73	65	66	70	67	57	61	61	61
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	27	59	124	77	78	76	65	56	108	67	74	70	64
Detroit.....	5	69	139	81	76	98	69	58	114	67	67	87	57
Indianapolis.....	4	70	140	83	85	96	70	62	119	70	83	83	69
Milwaukee.....	5	58	125	83	89	76	63	58	111	77	83	73	65
Other Cities.....	40	54	116	74	75	68	62	52	104	65	65	61	58
Seventh District—Unadjusted.....	81	60	126	78	79	80	66	56	109	68	73	73	62
Adjusted.....	81	76	75	71	72	78	82	70	65	61	66	71	78
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....	78	78	44	16	29	42	63	39	17	14	36	54	65
Trucks.....	169	169	146	87	127	119	136	115	79	49	79	91	110
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....	6	6	5	6	8	8	7	4	3	5	5	12	7
Total.....	20	20	26	22	34	29	23	40	48	34	31	29	22
<b>Iron and Steel—</b>													
Pig Iron Production:*													
Illinois and Indiana.....	51	51	38	34	33	34	42	34	31	34	45	42	52
United States.....	49	49	34	33	31	31	35	40	39	37	45	52	60
Steel Ingot Production—(U. S.)*.....	79	79	58	50	41	38	38	55	54	44	60	66	80

\*Average daily production.

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

**I**NDUSTRIAL output, which had shown a rapid growth in December, increased further in January. Activity in the building industry continued at a low level. Wholesale commodity prices advanced considerably during January and the first half of February, reflecting chiefly marked increases in the prices of live stock and live-stock products.

### PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, increased from 86 per cent of the 1923-25 average in December to 90 per cent in January. Activity in the steel and automobile industries continued to increase rapidly during January and the early part of February; in the middle of the month, however, steel production declined. Output of lumber increased in January but was still at a low level. At cotton and woolen textile mills activity showed a considerable growth, while in the meat-packing industry output declined. Output of crude petroleum increased further in January and the first half of February.

Factory employment and payrolls increased somewhat between the middle of December and the middle of January, although a decline is usual at this season. At automobile factories the volume of employment increased further by a large amount, and there were substantial increases at steel mills, foundries, and woolen mills. Employment in the meat-packing industry continued to decline and in January was at about the same level as a year ago. Among the non-manufacturing industries, the number employed at retail trade establishments and on construction projects showed declines of a seasonal nature.

Value of construction contracts awarded in January, as reported by the F. W. Dodge Corporation, was slightly larger than in December but considerably smaller than a year ago, when the volume of public projects was exceptionally large. The value of contracts awarded for residential building in the three months from November to January was about the same as in the corresponding periods of the two preceding years.

### DISTRIBUTION

Freight carloadings showed a seasonal growth in January. At department stores the volume of business declined somewhat more than is usual after the Christmas holidays.

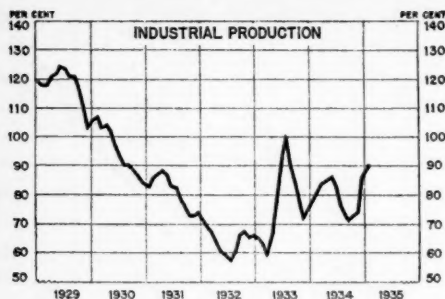
### COMMODITY PRICES

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced from 77.9 per cent of the 1926 average in the week ending January 5 to 79.4 per cent in the week ending February 16. During January, prices of cattle and beef showed substantial increases, and in February the price of hogs advanced considerably. Prices of cotton, grains, and silk showed a decline in January and the first few days of February, followed by an advance in the middle of the month.

### BANK CREDIT

During the five weeks ended February 20, member bank balances with the reserve banks increased by \$260,000,000 and their excess reserves rose to about \$2,300,000,000. The principal factors in the increase were an inflow of gold from abroad and disbursements by the Treasury of funds previously held as cash or on deposit with the Federal Reserve banks. Net demand deposits of weekly reporting member banks in leading cities increased by more than \$200,000,000 in the four weeks ended February 13. Total loans and investments of these banks showed no significant changes during the period. Slight declines occurred in loans on securities and in holdings of direct obligations of the United States Government, while other loans and other securities increased somewhat.

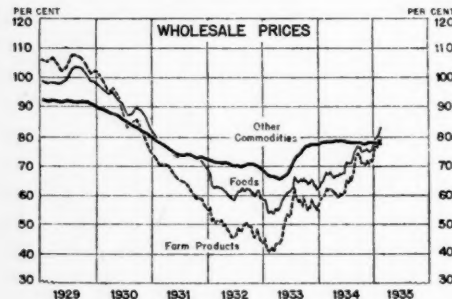
Yields on United States Government securities declined slightly further and other open-market money rates continued at a low level.



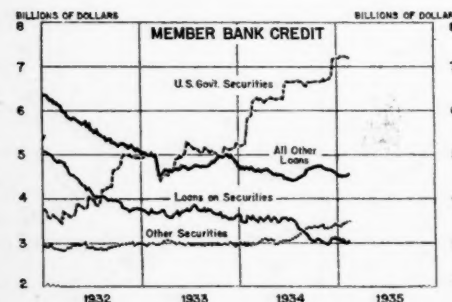
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average = 100.)



Indexes of factory employment and payrolls, without adjustment for seasonal variation. (1923-1925 average = 100.) Indexes compiled by the United States Bureau of Labor Statistics.



Indexes of the United States Bureau of Labor Statistics. (1926 = 100.) By months 1929 to 1931; by weeks 1932 to date.



Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for February 13, 1935.



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